



Direct Home Loan Program November 17, 2016

USDA Mortgage Interest Rates Remain Record Low 2.875 Percent

The interest rate for USDA Rural Development's direct home loan program continues to be a record low 2.875 percent. Homeownership opportunities are available under this program with no down payment, and provide long-term, fixed-interest-rate financing.

Also, payment assistance with interest rates as low as 1 percent may be available to applicants with qualifying incomes.

This lower interest rate makes the monthly payments affordable, and often may be less than rent. For example, a \$100,000 loan at 2.875 percent would have monthly principal and interest payments of \$391. If an applicant qualified for a 1-percent loan the monthly payment would be further reduced down to \$297. The cost of taxes and insurance would need to be added to the monthly payment.

USDA Direct Home Loan Program Reminders

Establishing Reliable Credit Score

A **credit score of 640 or higher** with **two tradelines** on the credit report with 12 months of history in good standing is considered a reliable credit score. No further credit analysis is needed as long as the applicant does not have any federal judgments or significant delinquencies.

If an applicant does not have a reliable credit score, **three tradelines** are needed and alternative credit sources can be used. Examples include: rent, utilities, cell phone, car insurance, child care.

Eligibility Web Site

The eligibility web site is a great resource for determining whether a property is located in an eligible or ineligible area. (Tip: if a search results in the message 'Unable to Determine,' take out NW, SE, Blvd, Circle, etc. and try re-mapping.) Applicants can also find income limits by county and can enter their household income and expense information to learn if they qualify for either USDA Rural Development's direct or guarantee home loan program.

<http://eligibility.sc.egov.usda.gov/eligibility/incomeEligibilityAction.do?pageAction=stated>

Iowa's Maximum Mortgage Limit

USDA Rural Development's direct home loan program has a maximum mortgage limit in Iowa of \$216,840. Properties must also be located in an eligible area.

Items Needed Prior to Closing - Borrower Responsibility

A borrower is responsible for obtaining the following items prior to closing:

- Third-party home inspection after signing a purchase agreement/sales contract. A list of approved home inspectors can be found here:
http://www.rd.usda.gov/files/IA_hp_Home_Inspection_Information_020415.pdf
- Termite inspection
- Home-buyer education course if the applicant has not owned a home in the last three years. A list of approved course providers can be found here:
http://www.rd.usda.gov/files/IA_hbe_10-2016.pdf
- First year of homeowner's insurance. The premium can now be rolled into the loan, if needed, as long as the appraisal supports it.

\$9.4 Million Available in Direct Home Loan Program

USDA Rural Development in Iowa currently has \$9.4 million through its direct home loan program to assist rural Iowans with the purchase of new or existing homes, renovate or relocate a home, or purchase and prepare sites, including providing water and sewage facilities. This funding will remain on a first come, first served basis through September 30, 2017.

Loan benefits include:

- No down payment
- 33 year loan
- Fixed interest rate
- Payment assistance for eligible applicants

To be eligible for this funding applicants must meet [adjusted household income](#) limits. In most counties in Iowa, a family of four with an adjusted household income of less than \$57,700 may qualify for this program. These income limits increase near metropolitan areas.

In addition, USDA Rural Development has funds available to help eligible applicants make essential improvements to their homes such as a new roof or siding, new furnace or accessibility upgrades. Loans have a fixed interest rate of 1 percent and are typically repaid over a term of 20 years. Limited grants are available to help applicants who are 62 years old or older and cannot repay a loan.

Contact USDA Rural Development at (515) 284-4444 or directIA@ia.usda.gov or visit www.rd.usda.gov/ia for more information.

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Contact USDA Rural Development

Contact USDA Rural Development direct home loan program housing staff today at (515) 284-4444, directIA@ia.usda.gov or visit www.rd.usda.gov/ia for more information.

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